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LETTER DATED 10 JUNE 1998 FROM THE PERMANENT REPRESENTATIVE OF GERMANY TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

In my capacity as the coordinator of the Consultating and Coordinating Process, I have the honour to bring to your attention the declaration of the Luxembourg Peace Implementation Conference Steering Board issued on 9 June 1998 (see annex).

I should be grateful if you would have the text of this letter and its annex circulated as a document of the Security Council.

(Signed) Tono EITEL
Ambassador

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Annex

Declaration issued on 9 June 1998 by the Ministerial Meeting of the Steering Board of the Luxembourg Peace Implementation Council

1. The Steering Board of the Peace Implementation Council met in Luxembourg on 9 June 1998 at Foreign Minister level, to review progress in the implementation of the General Framework Agreement for Peace in Bosnia and Herzegovina and to adopt a peace implementation agenda for the next six-month period.

Political Statement

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2. The meeting of the Steering Board takes place at a moment in the implementation of the Peace Agreement characterized by both substantive progress but also an inadequate rate of implementation. The slow pace of implementation by the authorities in Bosnia and Herzegovina are matters of serious concern.

3. Substantial progress has been achieved since the Bonn meeting: a new and more pluralistic Government has emerged from the elections in Republika Srpska; one half of the persons indicted for war crimes by the ICTY are now in custody; Entity justice sectors are now cooperating with the ICTY; Bosnia and Herzegovina now has a flag, passports, common license plates; the results of last September's elections have been implemented in all but one of the 136 municipalities and this has created a number of multi-ethnic municipal assemblies; restructuring of the public media and the police forces is well under way in Republika Srpska and the Federation, and the influence of the independent media is growing; minority returns have started in earnest and there is progress on property legislation; the provisional Konvertible Marka (KM) will circulate in a month and new legislation on customs, privatization, foreign investment and State and Entity budgets has been passed; and an IMF standby agreement has been reached.

4. These examples underscore that the ideals of pluralism and multi-ethnicity envisioned by the Peace Agreement, and the assumption of responsibility in implementing these ideals by the elected authorities in Bosnia and Herzegovina, are key to full democratization and lasting peace. Unfortunately, success often generates resistance, and the slow pace of implementation by the authorities in Bosnia and Herzegovina and their frequent procrastination in critical implementation issues, are a matter of most serious concern.

5. The Steering Board notes with concern that almost all progress has required continued and intensive efforts from the international community. In particular, the High Representative in several cases has had to resort to making interim binding decisions in accordance with his authority under Annex 10 of the Peace Agreement.

6. It is critical that Bosnia and Herzegovina take responsibility for its future and prepare to stand on its own. The continued political and financial support from the international community, together with the intention to prolong the international military presence, constitute an opportunity that Bosnia and Herzegovina cannot allow itself to miss - all the more since the present level of assistance cannot and will not last indefinitely.

7.The Steering Board calls on all citizens of Bosnia and Herzegovina to accelerate the rebuilding of the country politically, economically and socially. In addition, it calls for mutual respect and reconciliation. This task can only succeed through power sharing, tolerance and cooperation.

8.The Bosnian political leaders elected in 1996 have largely failed to serve the interests of the people of Bosnia and Herzegovina in rapidly implementing the Peace Agreement and in laying the basis for a peaceful and prosperous future. Too many of the current leaders continue to use the politics of domination and ethnic separatism to advance their own positions at the expense of the Bosnian people, thereby condemning the country to stagnation and isolation from the European family of nations.

9.It is high time for the authorities in Bosnia and Herzegovina to act in accordance with all aspects of the Peace Agreement and to implement the commitments they undertook at Dayton: building viable institutions; promotion of democracy; protection of human rights and the rule of law; reform of the educational curriculum; economic recovery; reconciliation and the return process. These elements form a good governance program which the Steering Board demands that the authorities implement swiftly.

10.The authorities in Bosnia and Herzegovina must therefore be guided by the principles of tolerance and reconciliation, the right to a fair hearing in court, freedom of movement and of residence, freedom of religion and what it means in terms of building a multi ethnic country, the repeal of legislation and practices with discriminatory effect and the protection of ethnic and/or minority populations.

11.The September 1998 elections are a major opportunity for the people of Bosnia and Herzegovina to express their wishes about the future of their country and to elect leaders ready to make the difficult compromises required to create a lasting peace and allow Bosnia and Herzegovina to take its rightful place in Europe. We call on all the people of Bosnia and Herzegovina to exercise their democratic rights actively and to participate in the elections.

12.The international community expects all candidates for office in the September elections to address publicly the following issues:

•return of refugees and displaced persons; •rights of ethnic minorities; •economic reform and reconstruction; and •provision of social services and education.

13.The Steering Board welcomes OSCE supervision of the registration process and of the election process and welcomes the excellent cooperation between the High Representative and the OSCE. It welcomes the intention of the Media Experts Commission and the Election Appeals Sub Commission to use their authority to the fullest to vet candidates and sanction those obstructing Dayton implementation or impeding the process of free and fair elections. The Steering Board expects the election rules and regulations adopted by the Provisional Election Commission (PEC) to be respected.

14.The Steering Board calls on the inter-Religious Council in Sarajevo, as well as all religious leaders, to engage directly in efforts that would defuse conflicts and promote freedom of worship and freedom of movement for members of all religions.

15.The 1995 London PIC Conclusions looked forward to the eventual creation of a direct and dynamic contractual relationship between Bosnia and Herzegovina and the European Union. Taking account of the High Representative's authority as set out in Annex 10 of the Peace Agreement, the Steering Board welcomes the 8 June EU Declaration on Bosnia and Herzegovina, setting out the prospects for closer cooperation with European structures, if Bosnia and Herzegovina continues on the right path, and establishing a joint consultative Task Force to provide advice to Bosnia and Herzegovina in overcoming technical questions relevant to developing its relations with the European Union in the future.

16.The Steering Board thanked SFOR for its efforts to provide the secure environment necessary for the civilian implementation of the Peace Agreement and for assistance rendered in this field. The Steering Board and the parties to the Peace Agreement recognized and supported the intention to continue SFOR when the current mandate expires on 20 June.

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17.For the remainder of 1998, the Steering Board emphasizes the following peace implementation priorities (as detailed in the peace implementation agenda set out in subsequent paragraphs below):

•The acceleration of refugee and displaced person returns in a phased and orderly manner in accordance with the Peace Agreement. •Police and judicial reform. •The acceleration of economic reintegration and reform. •Free and fair nation-wide elections in September. •The implementation of the High Representative's media strategy. •The strengthening of governmental institutions at all levels.

18.The Steering Board reaffirms its strong support for the High Representative and for the active use of his full authority under the Peace Agreement, as outlined in the Bonn PIC Conclusions.

Peace Implementation Agenda for the Remainder of 1998

Return of Refugees and Displaced Persons

19.The phased and orderly return of refugees and displaced persons, including returns to Sarajevo, is crucial to a lasting peace and the development of a viable multi-ethnic Bosnia and Herzegovina, in which no minority will consider itself to be discriminated against.

20.The Steering Board reiterates the fundamental right in accordance with the Peace Agreement of all refugees and displaced persons freely to return to their homes of origin. The Steering Board condemns in the strongest terms the recent incidents of violence in Drvar, Stolac, Derventa and elsewhere and insists that those responsible be brought to justice. We support use of the High Representative's authority to remove any public official who infringes this right or attempts to prevent returns.

21.While welcoming the results of the Sarajevo and Banja Luka Returns Conferences, the Steering Board is disappointed by the insufficient progress toward the agreed targets. It urges the relevant authorities to accelerate implementation and remove immediately all remaining political, legal and administrative obstacles to minority returns.

22.The Steering Board fully supports the efforts of the High Representative, working with the Reconstruction and Return Task Force (RRTF) and the Economic Task Force, to apply strict conditionality as well as encouraging positive linkages in support of return. It reiterates its support for initiatives such as the 'Open Cities', and highlights the need for Sarajevo and Banja Luka to meet the criteria to be declared 'Open Cities'. It also welcomes the Regional Return Strategy presented by the UNHCR (which outlines four sustainable solutions, namely voluntary return to their pre-conflict homes as the preferred solution, as well as local integration, resettlement and relocation)

and calls upon all the parties to cooperate in its implementation. The Steering Board asks the High Representative and the UNHCR to report regularly on the parties' progress in implementing the plan. It further urges that the links between the RRTF and relevant actors in neighboring countries be further developed.

23. The Steering Board calls upon authorities in both Entities to enable the UNHCR to organise a census/registration of displaced persons, refugees, and returnees. It is essential that the High Representative, the UNHCR and the Steering Board have accurate data in order further to implement Annex 7 of the Peace Agreement.

24. As a consequence of the war, many citizens of Bosnia and Herzegovina have been displaced from places where their personal records are held and personal documents were issued. The full access of individuals to their personal documentation is a necessary condition to support the process for return. The authorities of Bosnia and Herzegovina should, in cooperation with the international community, put in place mechanisms, by 1 August 1998, to ensure citizens of Bosnia and Herzegovina have full access to personal documentation.

25. Public security is crucial, particularly at this juncture. The Steering Board warmly commends the work of UN IPTF. Until the police are fully restructured, SFOR should continue providing a security environment conducive to civilian peace implementation. In this regard, police have primary responsibility for public security, closely monitored by the UN IPTF, with SFOR support as appropriate. The Steering Board encourages all members to ensure adequate funding for continued police reform efforts, especially given the critical requirement for security in connection with returns. The Multinational Specialized Unit (MSU) within SFOR, with the same mandate as other SFOR elements, will enhance SFOR's ability to support the local authorities in responding to civil disorder, without engaging in police functions, including in situations related to the return of refugees and displaced persons and the installation of elected officials.

26. In this regard, the Steering Board encourages active coordination by the High Representative of the local police, together with SFOR and UN IPTF, in developing and implementing security planning for refugee returns with UNHCR.

27. The adoption and effective implementation of new property and housing legislation in both Entities are essential to enable individuals to return to their pre-war homes. The Steering Board welcomes the entry into force of the property legislation in the Federation on 4 April 1998. In Republika Srpska, draft legislation acceptable to the High Representative must be finalized and passed by 31 August 1998. The Steering Board urges the Federation authorities to take immediate steps to ensure full implementation of the legislation. If this obligation is not met, the Federation authorities must extend the deadline for pre-war residents of socially owned apartments to apply for the restoration of their occupancy rights. Privatisation of apartments declared abandoned since 1991, including military and police apartments, shall not occur except in accordance with the Law on the Cessation of the Application of the Law on Abandoned Apartments.

28. The Steering Board welcomes the property options strategy developed by the Commission for Real Property Claims of displaced persons and refugees. The Steering Board affirms that resources for a property compensation fund should be generated locally, and calls on the Entity governments to fund the pilot project phase.

29. Education in Bosnia and Herzegovina must contribute to the goals of peace implementation, not present further obstacles to return. Textbooks in use in public schools must be reviewed and offensive material removed before the coming school year. Curriculum reform efforts in both Entities should continue, with the assistance of relevant organizations, including UNESCO and the Council of Europe. Special efforts should be made to develop a common curriculum for teaching the recent history of Bosnia and Herzegovina that fosters reconciliation and does not further inflame ethnic tensions. The Steering Board requests the High Representative to draw up a plan to carry this out by coordinating the agencies involved.

Public Security and Judicial Reform

30.The Steering Board urges the Federation and Republika Srpska to finish the process of restructuring the police in a speedy manner, in close coordination with UNMIBH. A multi-ethnic police is vital for providing a secure environment for returnees, displaced persons and all citizens. The Steering Board encourages the UN IPTF to finish the establishment of the joint police forces in the Federation, and to continue without delay its negotiations with the RS government.

31.Therefore, the Steering Board requires that the Republika Srpska Ministry of Interior fill at least 400 minority police officer posts in the restructured police force by 31 August 1998 at the latest. By December 1998 the Republika Srpska restructured police force should reflect the 1997 municipal election results. The ethnic composition of the police force must reflect an equitable representation of all three constituent peoples and others.

32.The Steering Board emphasizes the need for speedy and complete implementation of the Bosnia and Herzegovina uniform license plate system and uniform vehicle registration documents developed by the High Representative and UNMIBH, and reminds the parties of the deadlines set by the High Representative. Since 1 June 1998, only cars with the new license plates and the uniform vehicle registration document have been allowed to cross international borders, and from 31 August 1998, all vehicles in Bosnia and Herzegovina will be required to carry the new license plates and uniform vehicle registration documents.

33.The Steering Board requires that the Federation Ministry of the Interior is inaugurated by 15 June and restructured, as called for in the Bonn PIC Conclusions, and that the two remaining Federation Cantons inaugurate their new integrated police forces as per UN IPTF requirements. All 10 Cantons of the Federation must have a restructured multi-ethnic police force reflecting the 1991 census established by 31 December 1998.

34.Recognizing the importance of inter-Entity cooperation, we welcome the much improved cooperation between the Federation and Republika Srpska on internal security, and encourage the Federation and Republika Srpska to implement fully their cooperative agreements on Justice and Interior matters.

35.The Steering Board welcomes the signing of the Memorandum of Understanding on Legal Assistance between Institutions of the Federation and Republika Srpska on 20 May 1998 and urges the Parties immediately to take the necessary steps to implement it. In addition, the Steering Board welcomes the establishment of the Commission on Inter-Entity Legal Cooperation and calls upon its members to agree on initial recommendations for necessary legislation in this field no later than 31 July 1998.

36.Recognizing the importance of a professional, independent judiciary, the Steering Board supports expanded judicial reform efforts, coordinated by the High Representative. We urge that qualified people from Bosnia and Herzegovina be employed in this program, to the extent possible, in order to build local experience and capacity.

37.The entities must bring the current, first phase of the Criminal Law reform to completion. The Steering Board urges the Federation and the RS to enact the new criminal codes and the new criminal procedure codes by 30 June 1998 and 31 August 1998 respectively. A systematic review of the Criminal Laws has to follow immediately. The Steering Board stresses the need to ensure that judicial appointments are based solely on merit and that all ethnic groups are fairly represented in the judicial system.

38.The Steering Board requires both Entities to comply with information requests, recommendations and decisions of the two components of the Annex 6 Human Rights Commission, the Ombudsperson and the Human Rights Chamber.

39.The Steering Board welcomes the adoption by the United Nations Security Council of the Resolution 1168 of 1998, looks forward to the UNSC extension of the UNMIBH mandate and also welcomes the current consideration of an UNMIBH-led court monitoring program.

40.We support efforts to strengthen the office of the Federation prosecutor and urge active use of this office, especially in cases where local officials use, or protect those who use, violence to obstruct Dayton implementation. If it proves necessary or advisable, the Steering Board would support any necessary improvement in the criminal justice systems in the Entities to deal with such crimes.

Economic Reintegration and Reform

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41. The Steering Board reminds the authorities in Bosnia and Herzegovina of the importance of establishing an integrated economy, as well as the urgent need to move towards a market oriented economy with an attractive investment climate.

42. Privatization is essential for the economic recovery of the country. The Steering Board stresses that refugees and displaced persons should not be discriminated against in the privatization process and that the process ensures transparency and fairness. The Steering Board welcomes the passage of privatization legislation in the Federation, the adoption of the State-level privatization law by the Council of Ministers and the revision of privatization legislation in Republika Srpska. It calls for the immediate passage of the State-level privatization law by the Bosnia and Herzegovina parliament and urges passage of new privatization legislation in Republika Srpska, consistent with it, by 15 July 1998. The Steering Board calls for the privatization process to be underway in both entities by 30 August, 1998.

43. The Steering Board notes that too many obstacles still prevent free and fair trade in Bosnia and Herzegovina. Therefore:
a.illegal Entity tax legislation should be repealed, or amended, by the Entities by 15 July 1998; b.Entities should harmonize sales taxes and excise legislation before 1 November 1998; c.the Federation authorities should unify the tax collection and payment systems in the Federation under a single Payment Operations Institution before 30 September 1998; d.illegal bilateral customs agreements should be repealed by 15 July 1998; e.the customs code should be passed by 15 July 1998 and fully applied by January 1999.

44. The Steering Board is pleased to note that Bosnia and Herzegovina now has a stand-by arrangement with the IMF: the new Konvertible Marka currency will be put in circulation before end of June 1998. However, further actions are needed in the financial sector. Therefore:

a.new banking legislation should be adopted in both Entities by 15 July 1998; b.a country-wide system of payments in Konvertible Marka should be developed further in cooperation with the IMF and the Governor of the Central bank; c.a plan for comprehensive reform and reorientation of existing payment bureaus should be prepared by 31 October 1998.

45.The Steering Board commends recent progress in organizing public utilities. The Steering Board encourages the eventual privatization of such utilities. In particular it welcomes the establishment of the Bosnia and Herzegovina

Joint Railway Corporation as part of the Transportation Corporation. In order to ensure a further improvement of the infrastructure network:

a.the law on Telecommunication should be adopted by the Council of Ministers before 30 September 1998 and implemented before December 1998; b.a Framework Agreement should be signed by the authorities setting the principles for the reorganization of the electricity sector before 31 October 1998; c.a Framework Agreement should be signed by the authorities setting the principles for the reorganization of the postal sector before 31 October 1998; d.the Transportation Corporation should be activated by 30 November 1998.

46. The Steering Board requests that international assistance for public utility sectors be conditioned upon a program of re-structuring and transparency set up by the High Representative in close consultation with the Chairman of the Commission on Public Corporations and with the main bilateral donors. It reminds the authorities of Bosnia and Herzegovina that all accounts of all public companies should be made public.

47. The Steering Board supports the request of the High Representative that assistance directed towards Republika Srpska be increased in 1998 to make up for the past low level of international aid.

48. The Steering Board urges the authorities, in particular in the Entities, to undertake more actions and reforms, including those proposed by EC CAFAO, to reduce the scope of corruption and misuse of public funds. It welcomes the creation by the High Representative of an anti-fraud unit and encourages him to coordinate the effort of the international community in that field to better implement a comprehensive strategy.

49. The Steering Board calls on the authorities in Bosnia and Herzegovina to reach agreement by 31 July 1998 with the Government of the Republic of Croatia and the Government of the Federal Republic of Yugoslavia to determine official border cro sing points between Bosnia and Herzegovina and these respective neighboring countries. Each agreement shall also determine how to prevent traffic from using the numerous roads crossing the border at non-approved locations between Bosnia and Herzegovina and the Republic of Croatia or the Federal Republic of Yugoslavia. The Steering Board recommends that each border point be properly controlled.

50. As a key to the further revitalization of the Bosnian economy, it is critical that operations of the Central Bank and the introduction of the common currency go forward as scheduled.

51. The Steering Board regrets the failure to achieve a unified telephone system with Bosnia and Herzegovina-wide consistent dialing codes and a single international dialing code, as agreed at the 1996 London PIC Conclusions and in the August 1997 agreement on telephone area codes. It calls for these goals to be attained by December 1998.

52. Public authorities must support monetary stability and macroeconomic consolidation by adhering to budget processes that are fiscally sound, realistic, transparent and operative. Public authorities should promote a culture of public accountability. The international donor community and the people of Bosnia and Herzegovina will not continue to tolerate budget irregularities and corruption.

53. In spite of the progress accomplished so far, the Steering Board is concerned that Bosnia's economic growth to date is mainly due to donor inputs and "bounce back" after war. In real terms, Bosnia and Herzegovina's GDP is still only about half of its relatively low pre-war level. The Steering Board urges the immediate adoption of structural reforms to establish a market economy. These reforms should include:

•Development of a viable financial sector. This means introducing market-oriented private banks in the place of the current state banks, developing capital markets, supporting the establishment of insurance companies, and other measures.

•Privatization of socially-owned enterprises and banks.

•Establishment of a regulatory framework favorable to domestic and foreign investment.

•Full implementation of the joint customs tariff, and the elimination of any remaining barriers to free trade within Bosnia and Herzegovina.

54. The Steering Board emphasizes the importance of agriculture in the economy of Bosnia and Herzegovina, and in particular to provide an environment which will sustain the return of refugees. The Steering Board urges the Entities to take immediate measures to stop illegal exploitation of forests.

Democratic Elections

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55. The Steering Board welcomes the successful implementation of the 1997 election results in 135 out of 136 municipalities and urges the newly elected authorities to work in a spirit of reconciliation. The functioning of parallel municipal structures in certain municipalities must cease immediately. The Steering Board urges the parties to ensure prompt implementation and condemns the obstructionist behavior of parties in Srebrenica.

56. In order to enable the municipal councils to function properly and efficiently, the voluntary return of displaced municipal officials to the municipality in which they hold office is essential. The Steering Board endorses the priority given to those with executive functions.

57. Regular elections and multi-ethnic political pluralism are vital for the development of a democratic Bosnia and Herzegovina. The September elections should mark a decisive stage in the building of a democratic society in Bosnia and Herzegovina. The Steering Board welcomes the full supervision by the OSCE of these elections, including the voter registration, polling and counting. The Steering Board urges all participating states to ensure the OSCE has the personnel and the financial resources to accomplish this task. The Steering Board notes that the voluntary contribution period for this election budget has been opened by the OSCE Chairman-in-Office, and encourages all members of the Peace Implementation Council to contribute, especially those who will not be assessed under the OSCE process.

58. The Steering Board expects the election rules and regulations adopted by the Provisional Election Commission (PEC) to be respected. The OSCE should fully utilize its existing authority, including the authority of the Elections Appeals Sub-Commission and the Media Experts Commission established by the PEC, to vet candidates, and sanction those parties and candidates that obstruct free and fair elections and the spirit of the Dayton Agreement.

59. The Steering Board stresses the need to accelerate the on-going drafting of a permanent election law, to be adopted in the post election period, which contains appropriate provisions to increase pluralism in future elections.

60. The Steering Board takes note that 86 political parties and independent candidates have applied for registration for the September elections and encourages them to use the alliance and coalition possibilities offered by the PEC Rules and Regulations.

61. Recognizing the importance of political parties in the emerging democracy in Bosnia and Herzegovina, the Steering Board encourages political parties and non-governing organizations in member countries of the Peace Implementation Council to support and assist pro-Dayton and multiethnic political parties in Bosnia.

Media Reform

62.The media play a critical role in these elections and in the Bosnian peace process, and only if all parties have free and equitable access to the media, will citizens be in a position to choose responsible leadership. In order to promote free, independent and fully restructured media in line with European standards, the Steering Board fully supports the efforts of the High Representative in the establishment of the Intermediate Media Standards and Licensing Commission (IMSLC) as agreed in the Bonn PIC Conclusions. The Steering Board insists on full cooperation with IMSLC. In particular, The Steering Board expects the competent authorities to participate and cooperate fully with the Commission and to provide appropriate experts for its staff.

63.The Steering Board recognizes the importance of a Public Broadcasting System in Bosnia and Herzegovina and in this context urges the High Representative swiftly to complete the restructuring of RTV BiH, including the integration of the transmission system. The Steering Board deplores the stalling tactics deployed by the local authorities and welcomes the High Representative's intention to use his authority if the deadline is not met. As a second step in this process, the High Representative is requested to follow through on plans to establish a countrywide public broadcasting system with the cooperation of both SRT and RTV BiH. The Steering Board expects the full cooperation of the responsible authorities and the management of RTV BiH in this process and in the implementation of the High Representative's overall media strategy.

64.The Steering Board also underscores the importance its attaches to the Open Broadcasting Network (OBN) in providing the people of Bosnia and Herzegovina with an objective and independent television and urges the necessary financial support for OBN. The goal is to ensure that multiple sources of information, including independent media and properly regulated public media are available to all Bosnia and Herzegovina by the September elections campaign period.

Strengthening Governmental Institutions

65.The institution-building process in Bosnia and Herzegovina is proceeding too slowly. The Steering Board notes with concern that neither the Presidency nor the Parliamentary Assembly of Bosnia and Herzegovina nor the Council of Ministers have yet taken the badly needed steps to build sustainable and efficient common structures. All three institutions should take adequate steps so as to have their plenary meetings at the former Parliament building. After the elections in September the present practice of meetings should finally cease. The Steering Board calls upon the Commission of the European Union and the World Bank to continue renovation in order to ensure that these premises can become the permanent seat of common institutions under a special administrative and security regime, in line with the guidance given by the High Representative.

66.The Steering Board further requests the Council of Ministers to implement the Council of Ministers Law without further delay. The full establishment of its common services under the guidance of the newly appointed international coordinator is compulsory and should be completed by 30 July 1998.

67.The two Houses of the Parliamentary Assembly should establish an office for common services at the former Parliament building by 31 July 1998. The Steering Board stresses that any further obstructionism is not acceptable.

68.The Ministry of Civil Affairs and Communications must take the necessary steps to make the recently adopted State budget operational in close cooperation with the Central Bank. The agreement reached by the Entities on a mechanism ensuring automatic monthly transfers from the Entities' budgets to the State budget must, therefore, be implemented as a matter of urgency.

69.The Steering Board welcomes the recent steps towards full implementation of the Law on Travel Documents and the fact that all passport offices in both Entities will be operational and ready to distribute the new documents by 1 July 1998. The Steering Board hereby decides that all elected or appointed officials and all other citizens of Bosnia and Herzegovina shall be required to use the new Bosnia and Herzegovina travel documents when travelling abroad from 1 August 1998 and from 1 January 1999 respectively. However, refugees living abroad will be entitled to use their old passports or other official documents for their return to Bosnia and Herzegovina. Foreign residents registered as such may use their national passport.

70.The Steering Board supports the efforts of the High Representative and the UN IPTF to draft a State Border Police law for the Bosnia and Herzegovina Institutions for adoption by 30 June 1998, pursuant to the Constitution and the Bonn PIC Conclusions. A State Border Police shall be created under the auspices of the Ministry of Civil Affairs and Communication of the Bosnia and Herzegovina Council of Ministers. The State Border Police must wear a common uniform and carry a common insignia.

71.The Steering Board welcomes the results of the Federation Forum on 16 April and the Action Plan contained therein. In the case of non-compliance, the Steering Board insists on the immediate dismantling of illegal, parallel institutions and encourages the High Representative to institute firm measures against those maintaining these institutions.

Ensuring Better Peace Implementation at the Local Level

72.Implementation of the Peace Agreement depends, to a great extent, on responsible local officials. The Steering Board believes that an enhanced focus must be placed on implementation of the Dayton Agreement at the municipal and cantonal levels in both Entities.

73.Good governance at the local and cantonal levels is a fundamental element in the assumption by the authorities in Bosnia and Herzegovina of their full responsibilities under the Peace Agreement

74.The Steering Board requests the High Representative to establish an evaluation system, drawing on existing data and resources, of peace implementation in individual cantons and municipalities and indicate to the Steering Board what steps need to be taken. Options would include the appointment on an ad hoc basis of a Special Envoy to coordinate local and international activity in non-compliant municipalities. Among the criteria to determine non-compliance are the following factors:

•cooperation on return of refugees and displaced persons; •implementation of election results, including giving real power to elected officials; •police reform and integration of police forces; •cooperation with the ICTY; •overall cooperation on implementation.

75.The Steering Board donors will take the results of this evaluation into account when allocating assistance.

76.The Steering Board acknowledges the need for the provision of adequate security and commits itself to provide the necessary staffing and funding to carry out the tasks set out above.

Cooperation with the ICTY

77. The Steering Board welcomes the improved cooperation by Bosnian Serb authorities with the ICTY, which has resulted in a number of voluntary surrenders by persons indicted on war crimes charges. Nevertheless, a large number of indictees remain at large, including Radovan Karadzic; the competent authorities must take immediate steps to execute arrest warrants for all indicted persons under their jurisdiction, and to surrender them to the ICTY. The Steering Board welcomes the further transfers of war crimes indictees to the ICTY. A fair trial of those indicted is indispensable for the process of ethnic reconciliation and authorities in Bosnia and Herzegovina, Croatia and Federal Republic of Yugoslavia to fulfil their obligations under the Peace Agreement.

78. The Steering Board demands that the Federation and Republika Srpska authorities fulfil their obligations under the Peace Agreement and subsequent agreements, including the 'Rules of the Road'.

79. The Steering Board welcomes the fact that, for the first time since the end of the conflict, all three parties are participating in the Joint Exhumation Process, chaired by a representative of the High Representative, and providing each other with full access to exhumation sites without demands for reciprocity. The Steering Board notes, however, that the authorities have failed in sharing information about the fate of the missing and about locations of grave sites. We therefore demand that the authorities provide full disclosure of all information that can assist with the tracing process.

80. The Steering Board commends the work of the Commission on the Missing and urges all Bosnian authorities, as well as authorities in neighboring countries, to cooperate more effectively to clarify the fate of all persons missing from the war.

Demining

81. The Steering Board welcomes ratification of the Ottawa Treaty and expects Bosnia and Herzegovina to produce a plan of action to implement it without delay. This was called for in the London and Bonn PIC Conclusions and needs to be accomplished immediately. The Steering Board welcomes the initiatives of Canada and Slovenia on demining.

82. The Steering Board notes that the transfer of the UN Mine Action Center to Bosnian authorities, to include the hiring and training of an ethnically-balanced staff of Bosnian managers, is six months over-due.

83. The Steering Board also notes that the establishment of the Entity Mine Action Centers is behind schedule and encourages all parties to increase efforts to resource, staff and field these vital units in a timely fashion.

84. The Steering Board welcomes the progress made in strengthening the capabilities of the Entities' military demining forces, and encourages all parties to continue efforts to carry out military demining operations in accordance with international humanitarian demining standards.

Dayton Annex 8 (Monuments)

85.The Steering Board commends the efforts of UNESCO in Bosnia and Herzegovina and calls on PIC members to support UNESCO work in preserving and rebuilding monasteries, churches, mosques, bridges and other National Monuments. It calls on the members of the Commission to Preserve National Monuments to complete the process of designating National Monuments as required in Article IV of Annex 8 of the Peace Agreement. It also calls on the Bosnian authorities to improve their cooperation, both with international donors and with other parts of the government of Bosnia and Herzegovina, to maintain the national heritage.

Sports

86.The Steering Board urges that negotiations begin with a view to reconstituting the internationally recognized Bosnia and Herzegovina sports associations in such a way to represent the whole country. Entity sports associations should not be internationally recognized. The Steering Board reminds the Entities of their obligations to form teams together representing Bosnia and Herzegovina and demands that the Entities report to the High Representative on this issue by 1 October 1998.

Military Stability/Arms Control

87.The Steering Board recognizes the key function of the Standing Committee on Military Matters (SCMM) in building confidence and stability. While considering it vital that the international community continue to work with the SCMM in a spirit of cooperation, it urges all parties to act together to ensure that the SCMM rapidly gains the necessary stature to play a major part in the stabilization of Bosnia and Herzegovina. It supports the work of the SCMM and other mechanisms to foster inter-entity military cooperation.

88.The Steering Board welcomes the results of the amnesty covering mines, ordnance and other warlike material. It considers that the time is now right for an amnesty specifically aimed at weapons and urges the authorities in Bosnia and Herzegovina to enact appropriate legislation at the earliest possible opportunity, and by 31 August 1998 at the latest.

89.The Steering Board welcomes progress made in the Article II (Confidence and security building measures in Bosnia and Herzegovina)and Article IV (measures for sub-regional arms control) negotiations. The Steering Board considers that there is at this juncture an opportunity to move arms control activity into a new stage, and invites the authorities in Bosnia and Herzegovina to explore ways to implement mutually agreed and verifiable decreases in the numbers of troops and heavy weapons in their respective defense establishments. Such a reduction would serve as a confidence building measure and enhance stability, while freeing resources from military budgets for reconstruction.

90.The Steering Board welcomed the successful move to Article V (Regional Arms Control Agreement) negotiations.

91.The Steering Board insists that both entities make military expenditures more transparent (including direct or indirect support received from other countries) and insists that all defense spending within an entity be centralized within an openly published defense budget.

92.The Steering Board urges greater efforts to complete the process of integrating the Federation military, including the immediate adoption of a common insignia, the exclusive use of the Federation flag and creation of a joint, integrated command structure.

Brcko

93.The Steering Board endorses the Supplemental Award for Brcko. The Steering Board welcomes the establishment of the Republika Srpska government Commission for Brcko by Prime Minister Dodik and emphasizes the importance of this commission in ensuring that the terms of the Supplemental Award are fulfilled. It notes that Republika Srpska must carry the "burden of demonstrating very clearly that it has truly reversed course and committed itself to an apparently permanent program of full Dayton compliance." It further notes that the multi-ethnic administration remains 'shallowly-rooted', and reminds the Republika Srpska government that it is very much in its interests to accept the guidance of the Supervisor, and to take all necessary measures to support and strengthen the Brcko administration, judiciary and police force.

94.The Steering Board welcomes the continued success of the returns process in Brcko but reminds the authorities of both the Federation and Republika Srpska of their obligations under the current award, including facilitating the return of ethnic minorities to and from Brcko.

95.The Steering Board acknowledges that economic revitalization of Brcko is crucial for the continued success of the return process, as well as the process of reconstituting a multi-ethnic city and government. It notes with satisfaction the funding by the Donor Conference of the work of special consultants in support of the Supervisor's efforts to establish a program of privatization of non-privately owned and socially-owned enterprises as well as a duty free or special economic zone to stimulate the region's economy.

96.The Steering Board emphasizes the fundamental importance of freedom of movement in all directions through Brcko.

Regional Issues

97.The Steering Board emphasizes that building a stable Bosnia and Herzegovina has also to be addressed in a regional context. The Steering Board therefore strongly reminds Croatia and the Federal Republic of Yugoslavia of their obligations as signatories of the Peace Agreement. Both countries must do more to fulfil these commitments. Attempts to modify the agreed structures in Bosnia and Herzegovina at the Canton or Entity level that would lead to separation or segregation are unacceptable.

98.Croatia must allow unimpeded refugee return throughout Croatia, as well as support the process of return in Bosnia and Herzegovina. Croatia must also establish an effective and consistent border regime with Bosnia and Herzegovina, which is necessary for accession to any international trade organizations. The Steering Board welcomes the recent decision of the Government of Croatia to extend visa exemptions to all citizens of Bosnia and Herzegovina.

99.The Steering Board demands that the Government of Croatia actively enforce the agreed Memorandum of Understanding signed by the authorities in Bosnia and Herzegovina in February 1998 and the decision of the High Representative in May 1998 regarding the common license plates.

100.The Steering Board also expresses its concern about the continuing payments made by the Government of Croatia to Bosnian Croat officials and military personnel. Such payments undermine the integrity of Bosnia and Herzegovina and should be immediately phased out.

101.The Federal Republic of Yugoslavia government took a responsible position in supporting the creation of a government in Republika Srpska which more effectively addressed the interests of Republika Srpska residents. The Steering Board warns the FRY not to undermine this progress by trying to induce new instability in Republika Srpska.

102.The Steering Board calls on the governments of Bosnia and Herzegovina and the Federal Republic of Yugoslavia immediately to complete the establishment of diplomatic relations and the exchange of Ambassadors, without preconditions, as previously agreed.

103.The Steering Board is concerned by the steps which the governments of Croatia and the Federal Republic of Yugoslavia are taking to limit free and independent media, which negatively affects the information available to residents of Bosnia and Herzegovina.

Succession Issues

104.The Steering Board, reconfirming the Sintra declaration and the Bonn PIC Conclusions on Succession issues, has taken note, with appreciation, of the High Representative's Report of 22 May 1998.

105.The Steering Board notes with concern that only very limited progress has been made in complying with the PIC call for effective access to relevant records and data. Although the Federal Republic of Yugoslavia has decided in principle to make certain documents available, the Steering Board considers that that decision is inadequate to enable negotiations on the draft Framework Agreement of 13 November 1997 to proceed effectively and on an equal footing. The Steering Board renews the request made by the PIC, and stresses the importance of compliance with it in full, and without delay.

106.The Steering Board also notes with concern the States' continuing lack of progress in arriving at a consensus on substantive issues of succession, within the framework of the Special Negotiator's draft of 13 November 1997. Negotiations on succession issues cannot continue indefinitely. Therefore, the Steering Board supports the recommendation of the High Representative that there be a pause in the negotiations until the end of September. A further negotiating session to consider the above mentioned draft will then be scheduled, assuming that appropriate conditions exist.

In the light of that session, the Steering Board will, if necessary and having regard to the recommendations of the High Representative, revisit the question, including the option of referring key outstanding issues to arbitration. In addition, consideration may be given to pursuing steps to distribute relevant assets held abroad.

High Representative

107.The Steering Board commends the High Representative and his staff for their work. It emphasizes the importance of the High Representative's role in mobilizing, coordinating and giving guidance to the organizations and agencies involved in the civilian aspects of the peace implementation. It further expresses full support to him in making use of his authority under Annex 10 of the General Framework for Agreement for Peace and under Section X of the Bonn PIC Conclusions. In particular, the Steering Board fully approves and supports the interim binding decisions made by the High Representative and encourages him to make further recourse to such decisions, whenever he deems necessary.

108.The Steering Board reconfirms that it will further provide the High Representative with political guidance on peace implementation. It will continue to meet every 4-6 weeks at the appropriate level. Furthermore, the Steering Board agrees that financial implications will be addressed when taking any decision on additional tasks to be carried out by the High Representative.

109.The Steering Board underscores that conditions must be established in order for Bosnia and Herzegovina to become a modern country with the key elements of democratic institutions in place and the basic factors of ethnic confrontation removed: that requires a self-sustaining peace. The Steering Board asks the High Representative to submit for its consideration a report on the state of peace implementation in Bosnia and Herzegovina by mid-September. The report should focus on progress in relation to, inter alia, the following goals in the main areas:

•A significant mass of returns reached and the phased, orderly, peaceful return of refugees and displaced persons on a self-sustaining basis in significant numbers. •A self-sustaining and continuing cease-fire supported by transparent mechanisms for military to military cooperation. •A core of basic legislation that imposes the rule of law and the establishment of an independent judiciary. •Consolidation of free-market reforms, including a transparent privatisation that precludes political influence on the key economic sectors, and maintenance of an IMF program and effective free movement of goods, services and capital within Bosnia and Herzegovina. •The restructuring, re-integration, retraining and equipping of police in both Entities in accordance with democratic and professional standards. •The dissolution of illegal pre-Dayton institutions, with revenue and disbursement mechanisms brought under the control of legitimate authorities. •The regulation of media in accordance with democratic standards and the availability of free and independent media throughout Bosnia and Herzegovina. •The regular conduct of elections and implementation of election results in accordance with democratic standards. •Cooperation by the Parties to the Peace Agreement with the ICTY in the arrest and prosecution of war criminals. •The consolidation of multi-ethnic institutions and of a secure environment for returns in Brcko. •Full cooperation in peace implementation by neighbouring countries.

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